

## CHAPTER 4

### BENEFIT ANALYSIS

#### A. General

There are many ways to approach the analysis of benefit data. The purpose of this chapter is to give some examples and suggestions; it is not meant to be all inclusive. As with much of compensation analysis in general, the important points are these:

1. Analysis methods should be rational and repeatable.
2. To the extent possible, similar benefit items should be analyzed in a similar manner.
3. All else being equal, analysis methods should be consistent from year to year. This establishes a base line so that subsequent benefit changes can be appropriately quantified.

#### B. Analysis of Time-Off Benefits

Express survey establishment annual leave, holidays, and paid rest time in terms of hours or days and compare with U.S. Forces practice. Aggregate the differences, weighting the data by company, company size, specific company work-force employment, and/or number of matches at the company. Remember that each weighting factor carries different assumptions and subsequent data changes will have different effects on the aggregation depending on the type of weighting. For example, consider a survey with 100 participating companies. If annual leave differences are aggregated by company and a simple average is taken (sum the differences and divide by the number of participants), each company has equal weight - 1 percent. If a particular company drops out of the next survey, the overall average is not likely to change much. On the other hand, if the differences are weighted by employment and the company that drops out constitutes 10 percent of the survey company total employment, the weighted average leave difference will be affected to a much greater degree, particularly if the company's leave plan is at one end of the distribution.

#### C. Analysis of Other Benefits

Evaluate most other benefits according to the cost to the employer. These costs may be weighted a number of ways, as indicated above, prior to the aggregation and averaging process. Benefit to the employee is usually subjective and not easily quantifiable in a rational, consistent manner.

#### D. Use of Benefit Difference in Total Compensation Comparability (TCC) Computations

When the benefit analysis is complete, incorporate the benefit differences into the overall compensation plan. This may take the form of benefit-by-benefit adjustments to the U.S. Forces benefits and/or adjustments in U.S. Forces pay rates. Sometimes an adjustment may not be possible - in that case, the benefit difference must be expressed in clearly labeled monetary terms and as a percentage of payroll. For example: "The U.S. Forces benefits cost for

1,548 employees exceeds average survey company benefit cost by \$85 per employee per year, for a total of \$131,580 per year or 0.85 percent of payroll." In short, differences identified in the analysis of benefits must be accounted for in total compensation or must be identified by cost and payroll percentage in the report to the ASD(FM&P). Also include in the report a plan to deal with TCC differences.